



**COMMUNITY DEVELOPMENT DEPARTMENT
OFFICE MEMORANDUM**

DATE: **May 23, 2005**
TO: **Planning Commission**
FROM: **Trudi Ryan, Planning Officer** *Trudi Ryan*
RE: **Annual Review of Fees and Charges for Fiscal Year 2005/2006**

Attached is the **Annual Review of Fees and Charges for Fiscal Year 2005/2006**, submitted to Council, *for review*, at the annual Budget Workshop of **May 23, 2005**.

The proposed changes in the City's Fee Schedule are presented to the Planning Commission for review purposes at this time. The Planning Commission's recommendations will be presented to Council along with other input at a public hearing on fees and other budget-related matters scheduled for **June 7, 2005**. Formal action adopting the new fee levels by resolution is scheduled for **June 21, 2005**.



RECEIVED

MAY 16 2005

PLANNING DIVISION May 23, 2005

SUBJECT: ANNUAL REVIEW OF FEES AND CHARGES FOR FISCAL YEAR 2005/2006

REPORT IN BRIEF

The current fees and charges of the City have been reviewed in accordance with the Fiscal Sub-element of the General Plan. Staff has made adjustments to the proposed fee schedule as necessary to ensure that all fees and charges are aligned with the cost of service, except for those fees that are legally limited. For those fees that are adjusted by inflation, a standard percentage of 3% has been applied. The proposed fee schedule (Exhibit A of Attachment A) details all the recommended fee adjustments.

BACKGROUND

Annually, the Finance Department submits the proposed fees and charges for the upcoming fiscal year to the City Council along with the recommended budget. A public hearing is held on fees and other budget-related items, followed by formal action adopting the new fee levels. Most new rates become effective at the start of the new fiscal year on July 1, 2005, except for development fees, which become effective 60 days after adoption in accordance with State law. In addition, because golf fees are adjusted with the golf season, the proposed adjustments will go into effect on April 1, 2006.

EXISTING POLICY

The Fiscal Sub-Element of the General Plan states that user charges and fees should be established at levels closely related to the cost of providing those services (7.1A.1i) and user fees should be adjusted annually so as to avoid major changes in them (7.1A.1j). The annual review and adjustments of fees and charges is in accordance with these action statements.

DISCUSSION

Staff has made adjustments to the proposed fee schedule as necessary to ensure that all fees and charges are aligned with the cost of service, except for those fees that are legally limited. The recommended FY 2005/2006 Budget and Resource Allocation Plan includes a budgetary inflation factor of 3% for FY 2005/2006. For fees that have not been adjusted by a specific factor, a 3% increase has been applied to ensure they meet the cost of providing those services. Fees related to utilities services (water, refuse, and sewer) have been

Issued by the City Manager

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adjusted by the corresponding increase in those utilities' rates. For ease of administration, most fees have been rounded to the nearest logical unit.

During FY 2005/2006, all fees that are legally limited will be analyzed in more detail to ensure the City is setting fees in accordance with the legal requirements. Staff wants to make sure that the fees have not been set more restrictively than necessary. If some of these fees can be adjusted to more fully recover costs, staff will make recommendations for the FY 2006/2007 fee schedule.

Non-Standard Fee and Charge Adjustments

Below are fees that were adjusted by an amount different than the standard inflation factors. Any fees that are proposed to be increased above and beyond the standard inflation factors will be addressed in this section. In addition, there are several fees that staff recommends keeping at the current rate for various reasons. These fees are also discussed in this section. No new fees are proposed for FY 2005/2006.

Community Development

Art in Private Development In-Lieu Fee

Although Art in Private Development fees were adopted by Council in May 2002, the In-Lieu fee was not broken out separately in the fee schedule. The proposed fee schedule details the In-Lieu fee. There are no changes to the fee structure.

Park Dedication Fee

The Park Dedication fee is based on the average fair market value per square foot. Staff has analyzed the current fair market value for vacant residential property and adjusted the value from \$55 per square foot to \$75 per square foot.

Administrative Citations

Citations are issued for violations to the Sunnyvale Municipal Code and are considered fines rather than fees. As adopted by Council, these fines are structured to progressively increase for repeat violations. Staff recommends maintaining the current fines for FY 2005/2006. Adjustments will be proposed in future years as necessary to maintain their effectiveness as a compliance tool.

Below Market Rate (BMR) Program Fees

BMR Program fees were newly created for FY 2004/2005. Because these fees have only been in effect for one year, staff recommends holding these fees at their current level.

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Libraries

Library Fees and Fines for Overdue Materials

Staff annually surveys neighboring libraries' fees and fines to ensure the City's fees and fines are similar. To keep in line with the other libraries in Santa Clara County, staff recommends maintaining the current fines for overdue materials and reserve charges for library materials. In addition, because the DVD/Video rental fee is new and not charged by the other libraries, staff recommends keeping the fee at the current rate.

Parks and Recreation

General Activity and Recreation Fees

The Director of Parks and Recreation sets Activity and Facility Use Fee Schedules based on market conditions and City Council adopted policies. The Schedules will be published at least annually by the Department of Parks and Recreation, and will be made available to the public.

Golf Fees

To avoid having fee changes in the middle of the golfing season, golf fees go into effect on April 1. Since most other fees change with the start of the new fiscal year, the practical effect is that proposed golf fees for future years are presented for Council's consideration ten months in advance. The Golf fees for April 1, 2005 through March 30, 2006 were approved by the Council in June 2004. In this proposed fee schedule, Council will be setting the golf fees for April 1, 2006 through March 30, 2007.

Staff has completed the usual spring Market Survey of Golf Fees (please see Attachment B) that provides an overview of basic weekday and weekend fees and a comparison with Sunnyvale fees for each course. It is important to target the golf fees to match with our planned market position for each course. With all market elements considered (location, yardage, course condition, practice facilities, etc.), Sunnyvale Golf Course fees compare well with Market Average for Market Range II. The proposed fees for April 1, 2006 through March 30, 2007 have been adjusted taking the market position into account.

Golf Tournament Fees

Per Council direction on April 26, 2005, the Tournament Reservation fee at Sunnyvale Golf Course has been increased from \$2.00 to \$2.50 per person beginning May 1, 2005 (RTC 05-148). Staff proposes the Tournament fee stay the same through March 30, 2007.

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Department of Public Safety

Copies of Materials and Permits

A cost analysis of Public Safety fees revealed that several fees were not recovering their full costs due to the resources and staff time required to issue certain permits or materials. As a result, the fees for providing copies of Cassette Tape Recordings and issuing permits for Adult Entertainment, Massage Establishments, Secondhand Weapons Dealers and Firearms Sales have been updated to reflect full cost recovery of direct and indirect costs associated with these activities. In addition, the processing fee for providing copies of Photographs has been updated due to the increasing use of digital photographs and the additional cost to reproduce these types of photographs.

Emergency Response Fee

The Emergency Response Fee has been adjusted to reflect new legislation. The fee is now based on actual direct costs instead of a rate structure. In addition, the maximum legal limit has increased substantially.

Fire Prevention/Hazardous Materials Inspection Fees

Analysis of the actual costs to provide re-inspections, overtime inspections and consultations by the Fire Prevention Bureau indicate that the current fees will cover costs for FY 2005/2006. Therefore, no change in these fees is recommended.

False Alarm Fees

To stay in line with our neighboring cities, staff recommends maintaining the current fees and fee structure for false burglar and false fire alarms.

Officer Contract Overtime

The Officer Contract Overtime rate has been increased to fully recover the costs of the officer and the indirect costs associated with providing this service. However, staff is proposing a lower rate for schools and non-profits. The lower rate would recover only the direct costs of providing this service.

Hazardous Materials Operations Permits

In FY 2004/2005, staff conducted an analysis of the Hazardous Materials program and determined that based upon the direct and indirect costs associated with the program, the City was under collecting revenues by 28.2%. Therefore, as part of the FY 2004/2005 Budget, Council approved the increase of Hazardous Materials fees by 14% in FY 2004/2005 and in FY 2005/2006 to close this structural gap.

Through the Waste Tire Enforcement Grant from the California Integrated Waste Management Board and the planned increases in fees and charges, this program will recover the costs associated with maintaining the current staffing

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level of three Hazardous Materials Inspectors. Staff will continue to monitor this program and recommend any necessary adjustments to assure full cost recovery is achieved.

Animal Control Fees

Based on a survey of Animal Control fees in neighboring communities, staff found that the City's fees are the same as the Silicon Valley Animal Control Authority and in line with the other communities. Therefore, staff recommends maintaining the fees at the current level. Due to a clerical error in the FY 2004/2005 fee schedule, the fee for the two year cat registration was inadvertently set to \$1.00. This has been corrected in the proposed schedule to \$12.00.

Department of Public Works

Radio Read Meter Fees

The fees for the Radio Read Meters are based on the actual cost of the meters. Based on the new contract for these meters, bid in December 2004, the fees have been adjusted accordingly. In addition, a new fire service radio read meter has been made available and the fee for this type of meter has been added to the fee schedule.

Traffic Control Fees

These fees were adopted by Council on March 30, 2004 and therefore have only been in effect for one year. Because these fees are relatively new, the current fees have been maintained for FY 2005/2006.

Transportation Impact Fees

When the Transportation Impact fees went into effect during FY 2003/2004, Council directed that the fees be reduced by 50% for the remainder of FY 2003/2004 and reduced by 25% for FY 2004/2005. For FY 2005/2006, the fee structure is maintained, but without any reduction.

Right of Way Encroachment Fees

Staff analysis of the direct and indirect costs associated with issuing Encroachment Permits indicated that the fees were not covering the full cost. Based on this analysis, the fees have been increased to fully cover costs.

Water Service Delinquency Processing and Turn On Fees

Because these fees are currently undergoing review as part of the cost of services study for water and wastewater rates, staff recommends keeping the current fees for FY 2005/2006. Any adjustments that result from the study will be incorporated into the FY 2006/2007 fee schedule.

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FISCAL IMPACT

Recommended adjustments to the fees have been incorporated into the 20-Year Financial Plan's revenue projections. Exhibit A of Attachment A presents the proposed Fee Schedule for FY 2005/2006, reflecting proposed increases or adjustments in fees and charges. These increases or adjustments are necessary to reflect the rising cost of providing services.

CONCLUSION

The current fees and charges of the City have been reviewed in accordance with the Fiscal Sub-element of the General Plan. Staff has made adjustments to the proposed fee schedule as necessary to ensure that all fees and charges are aligned with the cost of service, except for those fees that are legally limited. For those fees that are adjusted by inflation, a standard percentage of 3% has been applied.

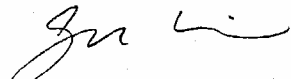
PUBLIC CONTACT

Notice of the June 7, 2005 public hearing on the fee increases will be published in the Sunnyvale Sun. In addition, copies of this report will be available for public inspection along with other budget materials. Copies of the City's recommended FY 2005/2006 Budget are available at the Library and in electronic form on the City's website. Notice will be sent to the Building Industry Association, which has previously requested notice pursuant to the Government Code. The Parks and Recreation Commission, the Library Board of Trustees, and the Planning Commission will review the proposed fees and charges within their respective areas prior to the public hearing.

RECOMMENDATION

The proposed changes in the City's Fee Schedule are presented for review purposes at this time. A public hearing on fees and other budget-related matters is scheduled for June 7, 2005. Formal action adopting the new fee levels by resolution is scheduled on June 21, 2005.

Prepared by:



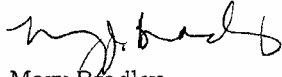
Grace Kim

Finance Manager - Budget

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Reviewed by:



Mary Bradley
Director of Finance

Approved by:



Amy Chan
City Manager

Attachments

~~A. FY 2005/2006 Fee Resolution~~

~~a. Recommended FY 2005/2006 Fee Schedule~~

~~B. Golf Market Survey - November 2004~~

For Planning Commission
purposes, only Planning related
items are included.

A. Planning Related Fee
Schedule Items